



# Australian Bureau of Statistics

## **6524.0.55.002 - Estimates of Personal Income for Small Areas, 2001-02 to 2005-06**

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## **Summary**

### **About this Release**

This release contains data cubes (excel spreadsheets) containing estimates of the sources and amount of personal income people received for the years 2001-02 to 2005-06, for Statistical Local Areas and other geographies (LGA, SSD, SD, State/Territory and Australia).

The estimates have been compiled using aggregated individual income tax data from the Australian Taxation Office (ATO). The compilation of these data are part of the ABS' program to increase the availability of regional statistics, particularly through the use of administrative data collected by other government agencies. The ABS wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

There are ten data cubes, two for each financial year from 2001-02 to 2005-06, which each provide a breakdown of personal income by the following sources - wage & salary, own unincorporated business, investment, superannuation and annuities, other income (excluding government pensions and allowances) and total income (excluding government pensions and allowances).

## **Explanatory Notes**

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#### **EXPLANATORY NOTES**

#### **INTRODUCTION**

**1** These data cubes contain estimates of the sources of personal income people received for each year from 2001-02 to 2005-06. Each of the tables provide a breakdown of total personal income by the following sources - wage & salary, own unincorporated business, investment, superannuation and annuity, and other income.

**2** Data is provided for various levels of the Australian Standard Geographical Classification (ASGC), including Statistical Local Areas (SLAs) and Local Government Areas (LGAs), in each state and territory of Australia.

**3** This release does not include income from Government pensions and allowances and is

therefore related to, but different from, data released previously in ABS cat. no. 6524.0.55.001. Further information about the differences between the two data releases can be found under Related Data below.

**4** These data have been compiled from the Australian Taxation Office's (ATO) Individual Income Tax Return Database and are part of the Australian Bureau of Statistics' (ABS) program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies.

**5** The ABS wishes to acknowledge the support the Australian Taxation Office has provided in compiling these statistics and in assisting the ABS in its aim to increase the range of regional data available to users of regional statistics. Without such support the wide range of statistics published by the ABS would not be available.

## **CONFIDENTIALITY**

**6** All individual income tax statistics are provided to the ABS by the ATO in aggregated form only, at the SLA level. Information about individual taxpayers has not been released to the ABS.

**7** These statistics, prior to being provided to the ABS, have also been subjected to a confidentiality process that adjusts cells in tables with small values. Caution should therefore be exercised in deducing that there are no people in an area with certain types of income and, in general, no reliance should be placed on cells with small values in tables. The application of this process ensures that no data that may identify an individual is released without impairing, for most purposes, the overall information value of the statistics.

## **SCOPE AND COVERAGE**

**8** The main functions and responsibilities of the Australian Taxation Office are to administer taxation legislation and to collect a wide variety of taxes. The ATO therefore collects data from its reporting population as part of its processes to calculate income tax liability for those persons who are required to lodge an income tax return.

**9** The ATO database covers all individuals who submit an individual income tax return and includes persons with income from one or more of a range of sources such as wages and salary, own business, superannuation and annuity, investments and government pensions, benefits or allowances. However, the scope of the ATO statistics presented in this release exclude government pensions, benefits or allowances and most lump sum and other non-regular sources of income.

## **Wage and salary income**

**10** Wages and salaries are the main forms of payments made to employees for their work or services. Wage and salary income, as reported on the income tax return, includes gross income as shown on the 'PAYG payment summary - individual non-business' as well as allowances, commissions, bonuses, tips, gratuities, consultation fees, honoraria and other payments for services. Allowances and other earnings may include car, travel or transport allowances, allowances for tools, clothing or laundry and dirt, risk, meal or entertainment allowances. (Note: PAYG (Pay as You Go) payment summaries were previously known as Group Certificates).

## **Own unincorporated Business income**

**11** Own unincorporated business income includes the following data items on the individual income tax return: net income (or loss) from business, distributions from partnerships and trusts for primary production activities, distributions from partnerships for non-primary production activities and net personal services income.

**12** It excludes distributions from trusts for non-primary production activities as this mainly includes income from a range of other activities (mainly investments). It also excludes the income of working directors/owners of incorporated businesses who are classified as employees and consequently their income is included under wage and salary income.

## **Investment income**

**13** Investment income includes interest from financial institutions, net rent and dividends or distributions (including imputation credits) from an Australian company, corporate unit trust or public trading trust. Also included are distributions from trusts - non-primary production which mainly includes income from investments with cash management trusts, property trusts, money market trusts, mortgage trusts and unit trusts.

## **Superannuation and annuity income**

**14** Superannuation and annuity income includes superannuation and similar pensions and annuities paid by an Australian superannuation fund, a retirement saving account provider, a registered organisation or life assurance company and pensions paid by a fund established for the benefit of Commonwealth, state or territory employees and their dependants. Also included in this category are bonuses from life insurance companies and friendly societies.

## **Other income (excluding Government pensions and allowances)**

**15** Other income (excluding Government pensions and allowances) is made up of selected sources of other income reported on the individual income tax return that were not allocated to one of the above categories. In the main these include attributed foreign income and all other income as reported in question 22 (supplementary section) of the 2005-06 income tax return.

**16** Government pensions, benefits or allowances and most lump sum and other non-regular sources of income are excluded from the scope of this data release and are therefore not included in this source of income category.

## **DATA LIMITATIONS**

**17** For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. A significant number of low income earners, especially pensioners and other persons who derive their income from government pensions and allowances, are not necessarily required to lodge income tax returns. Consequently, the coverage of people receiving government pensions and allowances is not complete in ATO records. In addition, a number of Commonwealth of Australia government pension, benefit and allowance payments are exempt from income tax and are therefore not required to be included in tax returns.

## **18 Other limitations of the ATO data are:**

- Some persons may move address over the course of a year and consequently their income may not all relate to the current home address or postcode area as reported on the income tax return;
- Generally, around 95.0% of individual income tax returns are processed within one year and around 99% within two years of the end of each particular income tax year. Consequently, a small proportion of returns may not have been processed at the time that these statistics were compiled and would not be included in the estimates presented. No attempt has been made to estimate or revise the data for any records submitted to the ATO after these statistics have been compiled.

**19** Overall however, the limitations outlined above are considered to be relatively minor factors which do not limit the general use of the data for the broad purposes intended.

**20** Through the tax system individuals may report very low or negative levels of income if, for example, they incur losses in their own unincorporated business or partnership or have very low or negative returns on their investments. Care should be taken if calculating average income levels for some of the income sources. When negative levels of income are reported against an income source for an individual, the value of this negative income is included in the total income, but the individual is not included against the person count for that income source.

**21** The total number of persons is not able to be calculated in the data cubes as individuals may have more than one source of income in a given financial year. For example, an individual could derive income from wages and salaries, investment and own unincorporated business and therefore contribute to the person count in each of these income sources.

**22** There are a number of regions for which data was unable to be included. These regions, predominantly Statistical Local Areas (SLAs) and Local Government Areas (LGAs), have been annotated as 'not available' in the data cubes. Data for these regions is not available for publication but has been included in all totals.

## **RELATED DATA**

**23** Experimental Estimates of Personal Income for the years 1995-96 to 2000-01 are found in ABS cat. no. 6524.0.55.001. These estimates were compiled using two administrative data sources - tax data from the ATO and income support customer data from the then Australian Government Department of Family and Community Services (FaCS). Due to the limitations in coverage of the tax data mentioned above, the income support data from FaCS was used instead of ATO data as a measure of government pensions and allowances.

**24** Further information regarding these estimates can be found in Information Paper: Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01 (cat. no. 6524.0).

## **STATISTICAL GEOGRAPHY**

**25** The Australian Standard Geographical Classification (ASGC) is used by the ABS for the collection and dissemination of geographically classified statistics. It is an essential reference for understanding and interpreting the geographical context of statistics published,

not only by the ABS but also by other organisations, and its use enables comparability across datasets.

**26** The ABS uses geographic concordances to enable the conversion of data from one type of geographic region to another. These geographic concordances are generally used to convert data for 'non-standard areas' to data for standard areas used by the ABS. Geographic concordances (or conversions) are expressed as conversion factors based on population.

**27** The geographic identifier available on the ATO database is the postcode of the current home address of the individual. Consequently, postcode to SLA conversion factors have been used to concord, or convert, ATO aggregated postcode data to estimates for statistical local areas. The concordances are based on the estimated resident population for each particular year. Data is provided on each relevant ASGC (for example 2001-02 data is presented on the 2002 ASGC), and boundaries defining regions will therefore differ for each year of data. For further information see the detailed main structure of the Australian Standard Geographical Classification (ASGC), Volume 1, 2006 (cat. no. 1216.0) and the releases for previous years which are also available.

**28** The concordance process:

- minimises confidentiality restrictions as data are not output for postcodes with small populations;
- enables the data to be more easily compared with standard ABS output;
- enables the data to be output for other standard ABS geographic areas such as Statistical Divisions, Statistical Subdivisions and Local Government Areas; and
- provides flexibility so that data can be provided for the different regions of interest being studied by users of regional data (which are usually groupings of SLAs and/or LGAs).

**29** When analysing concorded data the following limitations of this methodology need to be taken into account:

- in applying the concordances it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode area and therefore concorded data may not truly reflect the distribution of the characteristics of the population. In some cases, where the same postcode is split across two or more SLAs and there are no other contributing postcodes, distinct numerical estimates will be derived but rates or averages will be identical for each SLA (as these will be equivalent to the original rate or average of the contributing postcode);
- the conversion factors are based on total population only but have been applied across all ATO data items, i.e. the number of wage and salary earners, wage and salary income, total income and sex, age and occupation groups;
- some official postcodes (such as PO boxes, etc.) do not correspond to residential areas but may still have been reported under the current home address field on the income tax return. Data for these and other 'invalid' postcodes, such as those due to incorrect reporting or processing errors, have been included in an 'unknown' category for each state and territory and for Australia where the state or territory was not known; and
- concorded figures have been rounded so discrepancies may occur between sums of the component items and totals.

**30** While care was taken in producing the concordances the ABS will not guarantee the

accuracy of concorded data.

## AUSTRALIAN STANDARD GEOGRAPHICAL CLASSIFICATION

**31** The statistics in this electronic release and accompanying data cubes are presented according to the Australian Standard Geographical Classification (ASGC), 2002 to 2006. Under this classification, statistical areas are defined as follows:

- Legal Local Government Areas (LGAs): These areas are the spatial units which represent the geographical areas of incorporated local government councils and incorporated Community Government Councils (CGCs) where the CGC is of sufficient size and statistical significance. The various types of LGAs are cities (C), NSW local government areas (A), boroughs (B), rural cities (RC), towns (T), shires (S), district councils (DC) and municipalities (M).
- Statistical Local Areas (SLAs): These geographical areas are in most cases identical with, or have been formed from a division of, whole LGAs. In other cases, they represent unincorporated areas. In aggregate, SLAs cover the whole of a state or territory without gaps or overlaps. In some cases legal LGAs overlap Statistical Subdivision boundaries and therefore comprise two or three SLAs (Part A, Part B and, if necessary, Part C).
- Statistical Subdivisions (SSDs): These are of intermediate size, between SLAs and SDs. In aggregate, they cover the whole of Australia without gaps or overlaps. They are defined as socially and economically homogeneous regions characterised by identifiable links between the inhabitants. In the non-urban areas an SSD is characterised by identifiable links between the economic units within the region, under the unifying influence of one or more major towns or cities.
- Statistical Divisions (SDs): These consist of one or more SSDs. The divisions are designed to be relatively homogeneous regions characterised by identifiable social and economic units within the region, under the unifying influence of one or more major towns or cities.

**32** Further information concerning statistical areas, including information about recent changes to boundaries, is contained in Australian Standard Geographical Classification (ASGC), 2006 (cat. no. 1216.0). The ASGC also includes a complete series of maps showing SLAs.

## FURTHER INFORMATION

**33** For further information about these statistics, contact the National Information Service on ph: 1300 135 070.

## Abbreviations

### ABBREVIATIONS

The following symbols and abbreviations are used in this publication:

A                      Area

ABS	Australian Bureau of Statistics
AC	Aboriginal council
ACT	Australian Capital Territory
ASGC	Australian Standard Geographical Classification
B	Borough
C	City
CGC	Community Government Council
DC	District Council
IC	Island council
LGA	local government area
M	Municipality
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
RC	Rural City
S	Shire
S/T	state or territory
SA	South Australia
SD	statistical division
SLA	statistical local area
SSD	statistical subdivision
T	Town
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

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